



PENNSYLVANIA STATE ASSOCIATION OF TOWNSHIP SUPERVISORS

July 19, 2017

The Honorable Ajit Pai
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

***RE: Petition by Pennsylvania Public Utilities Commission and Department of
Community and Economic Development Re: Modification of Connect America
Fund Phase II Auction Rules, WC Docket Nos. 10-90, 14-58, and 14-259***

Dear Chairman Pai:

I write on behalf of the Pennsylvania State Association of Township Supervisors (“PSATS”), which is a non-profit association that represents the interests of 1,454 townships of the second class in the Commonwealth of Pennsylvania. PSATS’ member townships are home to more than 5.1 million residents – nearly half of the state’s population – and comprise approximately 95% of the state’s land area. A substantial portion of PSATS’ member townships are in rural, agricultural communities that lack access to adequate broadband services and are underserved, or, in many cases, UNserved. Thus, PSATS supports the Petition filed by the Pennsylvania Public Utility Commission (“PUC”) and the Pennsylvania Department of Community and Economic Development (“Petition”) requesting a modification to the FCC’s Connect America Fund Phase II (“CAF II”) auction rules.¹

The Petition arises out of the decision of Verizon Pennsylvania LLC and Verizon North LLC (collectively, “Verizon”) to decline nearly \$140 million in CAF II funding over six years. This is federal universal service support that was objectively designed based on an FCC cost model to be used in underserved areas of Pennsylvania. It is critical that these funds remain in Pennsylvania to be used for broadband deployment in those rural areas that desperately need it.

According to the FCC’s 2016 *Broadband Progress Report*, 50% or more of rural Pennsylvanians in several counties served by Verizon do not have access to high-speed internet service under federal standards. These residents and businesses are effectively locked out of the educational, healthcare, and economic development benefits (not to mention critical public safety components) derived from access to modern broadband service. It would be wrong for the decision of a single company to result in the loss of the opportunity for broadband access inherent in the CAF II program.

¹ In the Matter of Connect America Fund, ETC Annual Reports and Certifications, and Rural Broadband Experiments, WC Docket Nos. 10-90, 14-58, and 14-259 dated April 19, 2017
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This is especially true given that Pennsylvania has demonstrated a long-term commitment to broadband deployment. In 1993, the Pennsylvania General Assembly enacted an innovative plan in which incumbent local exchange carriers ("ILECs") were freed from onerous rate of return regulation in return for their commitment to broadband deployment. The program was reenacted in 2004 with new regulatory financial incentives. Since 2005, the PUC has approved nearly \$1 billion in ILEC revenue and rate increases, including nearly \$68 million to support specific broadband programs. Over this same period, Pennsylvania's net contribution to the federal Universal Service Fund ("USF") was approximately \$1.7 billion. Pennsylvania has consistently ranked fifth in the country in net USF funds; in other words, Pennsylvania paid into the USF significantly more money than what has been returned to it.

On January 26, 2017, the FCC granted New York State's petition to retain CAF II funds that were declined by Verizon in that state. While the type of commitment to broadband deployment in New York is different from that of Pennsylvania, the level of commitment, not to mention the level of need, is similar in both states. PSATS asks that the FCC afford the same consideration to Pennsylvania that it did to New York and grant Pennsylvania's Petition.

The expansion of broadband access to the residents of Pennsylvania's rural townships is critical to their future. Whether the residents of these areas are farmers, doctors, students, or local government officials, they must have high-speed internet access to succeed. PSATS urges the FCC, therefore, to grant the Petition and achieve a just and equitable result for Pennsylvania.

Thank you for your consideration.

Sincerely,



David M. Sanko
Executive Director

cc: Marlene H. Dortch, Secretary
Jay Schwarz, Ph.D.
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